

Message Text

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ACTION H-03

INFO OCT-01 NEA-07 ISO-00 NSC-06 SS-07 AID-01 /025 W

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P R 251433Z NOV 75

FM AMEMBASSY TEL AVIV

TO AMEMBASSY DAMASCUS PRIORITY

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMCONSUL JERUSALEM

AMEMBASSY TEHRAN

AMEMBASSY BEIRUT

SECSTATE WASHDC 9127

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 7480

C O R R E C T E D C O P Y (SECTION INFO ADDED)

DAMASCUS FOR SENATOR MCCLURE

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: OREP (MCCLURE, JAMES A.)

SUBJECT: CODEL MCCLURE: FINAL REPORT

REF: TEL AVIV 7363

1. SUMMARY: SENATOR MCCLURE VISITED ISRAEL NOVEMBER 23-24 AND MET WITH GENERAL TAMIR, IDF/GHQ'S CHIEF OF PLANNING BRANCH, AND DR. DINSTEIN, GOI PETROLEUM ADVISOR. THIS MESSAGE WAS NOT REPEAT NOT CLEARED BY SENATOR MCCLURE. END SUMMARY.

2. SENATOR JAMES A. MCCLURE AND HIS SPECIAL ASSISTANT MICHAEL HATHAWAY VISITED ISRAEL NOVEMBER 23-24, 1975. THEY WERE MET AT THE AIRPORT BY CHARGE THOMAS DUNNIGAN AND WERE ACCOMPANIED DURING THEIR VISIT BY EMBASSY CONTROL OFFICER.

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3. NOVEMBER 23, SENATOR MCCLURE WAS BRIEFED BY MAJOR GENERAL AVRAHAM TAMIR, CHIEF OF PLANNING BRANCH IDF/GHQ, ON ISRAEL'S NEW LINES IN THE SINAI. TAMIR EXPLAINED THAT U.S. TECHNICIANS WERE AN INTEGRAL PART OF SINAI II AGREEMENT BECAUSE BOTH SIDES WANTED THEM. SENATOR MCCLURE RAISED THE QUESTION OF WHETHER OR NOT U.S. TECHNICIANS WOULD INDEED HAVE AN OPPORTUNITY TO BE EVACUATED WERE THERE RAPIDLY ESCALATING MILITARY HOSTILITIES AND TAMIR REPLIED AFFIRMATIVELY. TAMIR UNDERLINED THE NEED TO MODERNIZE IDF AND ESTIMATED COST AT ISRAELI POUNDS ONE HUNDRED BILLION (APPROXIMATELY \$14 BILLION). TAMIR EMPHASIZED THIS WAS ABSOLUTELY NECESSARY FOR ISRAEL'S DEFENSE AND USED EXAMPLE OF ARMORED PERSONNEL CARRIERS (APC'S). ISRAEL HAD REQUESTED 8,000 APC'S FROM THE USG. ALTHOUGH THE PENTAGON FOUND IT DIFFICULT TO BELIEVE, THERE WAS A REAL NEED FOR THESE VEHICLES BECAUSE ISRAEL WAS STILL USING OLD HALF-TRACKS AND OTHER ASSORTED TRANSPORT.

4. SENATOR MCCLURE STATED HIS BELIEF THAT THIS WAS A GOOD TIME FOR ISRAEL TO EXPLORE ALL PROSPECTS FOR NEGOTIATIONS BECAUSE THERE WERE MODERATES AMONG ARAB LEADERS. TAMIR FOUND THIS DIFFICULT TO ACCEPT WITH THE EXCEPTION OF PRESIDENT SADAT. SENATOR POINTED OUT THAT IN THE 1973 WAR ISRAEL HAD SUFFERED GREAT LOSSES DESPITE THE FACT THAT IT HAD THE OCCUPIED TERRITORIES. TAMIR REPLIED THAT THE POSSESSION OF THE TERRITORIES PROVIDED ISRAEL WITH A DEFENSIVE OPTION WHICH THE 1967 BORDERS DID NOT. WERE ISRAEL TO RETREAT TO THE 1967 BORDERS, IT WOULD HAVE NO SUCH DEFENSIVE OPTION AND WOULD NOT BE ABLE TO WAIT FOR THE ARABS TO STRIKE FIRST; A PREMPTIVE STRIKE WOULD BE REQUIRED IF THE INDICATORS WERE THE SAME AS THEY WERE IN 1973.

5. SENATOR MCCLURE MET NOVEMBER 24 WITH DR. ZVI DINSTEIN, ADVISOR ON ENERGY AFFAIRS AT THE MINISTRY OF FINANCE. DINSTEIN EXPLAINED ISRAEL'S ENERGY SITUATION AS FOLLOWS: OIL REPRESENTS ISRAEL'S SOLE SOURCE OF ENERGY; IN 1975 ISRAEL WILL CONSUME 150-160,000 BARRELS PER DAY. THE SINAI FIELDS HAVE PROVIDED 55

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PERCENT OF ISRAEL'S OIL REQUIREMENTS (THE LAST SHIP WILL SAIL FROM ABU RODEIS TO EILAT ON NOVEMBER 30); THE REMAINDER CAME FROM THE PERSIAN GULF (I.E., IRAN), PLUS SMALL AMOUNT FROM MEXICO. SINCE 1967 ISRAEL HAD DEVELOPED A MODERN PETROLEUM INFRASTRUCTURE AND HAD DEVELOPED EXCESS REFINING CAPACITY IN ORDER TO ALLOW IT TO EXPORT REFINED PRODUCTS. IT ALSO CONSTRUCTED EXCESS PIPELINE CAPACITY IN ORDER TO TAKE ADVANTAGE OF THE

SITUATION CREATED BY THE CLOSING OF THE SUEZ CANAL.

6. DINSTEIN OUTLINED ISRAEL'S PETROLEUM POLICY AFTER RETURNING ABU RODEIS AS FOLLOWS:

A. DIVERSIFY ITS SOURCES AND NOT ALLOW ITSELF TO BE DEPENDENT ON ANY SOURCE FOR MORE THAN 50 PERCENT OF ITS OIL. DINSTEIN SAID THAT ISRAEL HAD ALREADY CONTRACTED FOR ITS 1976 OIL SUPPLY WITHOUT ANY PROBLEMS BECAUSE THERE IS PRESENTLY A BUYERS MARKET. HE THOUGHT THAT MEXICO COULD DOUBLE OR TRIPLE ITS PRESENT SUPPLY TO ISRAEL AND THAT VENEZUELA COULD ALSO SUPPLY ISRAEL IN THE FUTURE.

B. INCREASE STORAGE FROM THE PRESENT SIX MONTHS, TO A ONE YEAR SUPPLY. BECAUSE STEEL PRICES HAD RISEN, UNDERGROUND STORAGE WAS NOW ECONOMICAL; IT ALSO WAS MORE SECURE. ISRAEL WAS WORKING ON STORAGE SCHEMES IN SALT DOMES IN THE DEAD SEA AREA, IN GRANITE FORMATIONS IN THE IELAT SECTOR, AND IN LIMESTONE/CHALK FORMATIONS WHICH WERE PREVALENT IN MANY PARTS OF ISRAEL. THE FIRST TWO WERE THE MOST PROMISING TYPES OF STORAGE TO DATE.

C. BOOST OIL EXPLORATION AND, HOPEFULLY, PRODUCTION WITHIN ISRAEL AND SINAI. SENATOR MCCLURE ASKED IF PROSPECTING IN THE OCCUPIED TERRITORIES DID NOT CREATE OBSTACLES FOR EVENTUAL PEACE NEGOTIATIONS. DINSTEIN DID NOT THINK SO BECAUSE ISRAEL WAS PREPARED TO QUOTE GIVE UP ANY OIL IT FOUND ON THE SAME TERMS THAT EGYPT HAD GRANTED PRIVATE CONCESSION- AIRES. END QUOTE. DINSTEIN SAID THAT THE TWO MOST PROMISING AREAS

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ACTION H-03

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DAMASCUS FOR SENATOR MCCLURE

BEIRUT PASS BAGHDAD

PRESENTLY BEING EXPLORED WERE ALONG THE MEDITERRANEAN WHERE A U.S. COMPANY HAD BEEN DRILLING WITHOUT FINDING OIL BUT WITH SOME GOOD GEOLOGICAL RESULTS AND ALSO SOUTH OF THE NEW DEMARCATION LINE IN THE GULF OF SUEZ. THE SENATOR ASKED ABOUT THE REPORTED DISCOVERY OF GAS IN THE EGYPTIAN NILE DELTA ABOUT TWO YEARS AGO. DINSTEIN SAID HE HAD TALKED TO THE CHIEF ENGINEER ON THE PROJECT WHO SAID THAT THERE WAS SOME GAS BUT NOT MUCH.

7. THE ABOVE WERE SHORT RANGE OBJECTIVES. ISRAEL'S LONG TERM GOAL WAS TO DIVERSIFY ITS ENERGY SOURCE.

ALSO, DINSTEIN THOUGHT THAT ISRAEL COULD REDUCE ITS ENERGY CONSUMPTION BY AS MUCH AS 15-20 PERCENT. ONE AREA IN WHICH THIS WAS POSSIBLE WAS ELECTRICITY, WHICH ACCOUNTED FOR ABOUT ONE-THIRD OF ISRAEL'S ENERGY UTILIZATION. HOWEVER, IT WAS NOT EASY. FOR EXAMPLE, ISRAEL'S AGRICULTURE WAS BASED ON MODERN TECHNOLOGY AND WAS THEREFORE ENERGY-INTENSIVE. ISRAEL HAS PLANS FOR FOUR ELECTRIC GENERATING PLANTS BETWEEN TEL AVIV AND HAIFA. EACH ONE WOULD HAVE A CAPACITY OF 350 MEGAWATTS
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AND WERE DESIGNED TO BE COAL-FIRED BUT ALSO CONVERTIBLE TO OIL. THE COAL WOULD BE IMPORTED FROM SOUTH AFRICA, THE U.S., OR EVEN AUSTRALIA, WHICH HAD OFFERED A FIVE DOLLAR PER TON DIFFERENTIAL ADJUSTMENT AGAINST THE PRICE IN ORDER TO COMPETE WITH SOUTH AFRICA.

8. ISRAEL WAS MOVING AHEAD IN THE AREA OF NUCLEAR POWER GENERATION AND HAD RECEIVED BIDS FROM THREE U.S. FIRMS FOR A PLANT. HOWEVER, IT WOULD TAKE AT LEAST 10 YEARS BEFORE IT WAS PRODUCTIVE, AND AT PRESENT THERE WERE PROBLEMS, INCLUDING THE LOCATION. IN RESPONSE TO THE SENATOR'S QUERY, DINSTEIN SAID THAT ISRAEL WAS WORKING ON SOLAR ENERGY AND WOULD LIKE TO MOVE INTO THE AREA OF SPACE HEATING IN ADDITION TO THE ALREADY PREVALENT SOLAR WATER HEATING SYSTEMS IN ISRAEL. THE GOI WAS WORKING WITH ERDA ON THE PROSPECTS FOR SOLAR HEATING.

9. DINSTEIN EXPLAINED THAT IN THE SINAI II AGREEMENT THE U.S. HAD GIVEN ASSURANCES ABOUT ISRAEL'S PETROLEUM SUPPLY BUT THAT A "BEST EFFORT" CLAUSE WAS USED FOR THE TRANSPORTATION. HOWEVER, ACCORDING TO DINSTEIN, ISRAEL HAS ENOUGH TANKERS TO BRING 150,000 BARRELS A DAY FROM THE WESTERN

HEMISPHERE AND IT ALSO HAD, IN GENERAL TERMS, THE
NECESSARY DOCKING CAPACITY.

10. THE SENATOR ASKED DINSTEIN TO CRYSTAL BALL THE FUTURE
OF OIL PRICES. DINSTEIN THOUGHT THAT THEY WOULD INCREASE
BY FIVE TO TEN PERCENT ANNUALLY IF THE USG DID NOT DO
SOMETHING TO RESIST IT. HE CHARACTERIZED FINANCIAL NEEDS
OF SMOE OPEC COUNTRIES AS INSATIABLE, AND HE THOUGHT
THE ONLY RESPONSE WAS FOR THE CONSUMING COUNTRIES, LED
BY THE U.S., TO WORK FOR SOME FORMULA WHICH WOULD LINK
THE COST OF OPEC IMPORTS TO THE COST OF OIL.

11. THIS MESSAGE WAS NOT REPEAT NOT CLEARED BY SENATOR
MCCLURE BEFORE HIS DEPARTURE.
DUNNIGAN

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